



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS  
AUDIT EXAMINATION OF THE  
HARLAN COUNTY  
SHERIFF'S SETTLEMENT - 1998 TAXES  
SHERIFF'S SETTLEMENT - 1998 UNMINED COAL TAXES**

**August 26, 1999**

**EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS  
WWW.KYAUDITOR.NET**

**144 CAPITOL ANNEX  
FRANKFORT, KY 40601  
TELE. (502) 564-5841  
FAX (502) 564-2912**



## **EXECUTIVE SUMMARY**

### **HARLAN COUNTY STEVE DUFF, SHERIFF 1998 Taxes and 1998 Unmined Coal Taxes**

The Harlan County Sheriff's 1998 regular tax collections and 1998 unmined coal tax collections have been properly collected, reported, and paid to the taxing districts as of August 26, 1999.

#### **Audit Opinion**

An unqualified opinion was expressed on the financial statements. No reportable conditions relating to the audit of the financial statements were reported.

#### **Interest Earned**

Interest of \$10,505 was earned on the 1998 taxes and the Sheriff distributed an appropriate amount to the school as required by statute.

#### **Escrow Money**

The Sheriff had \$741 in unexplained receipts and we recommended he deposit this amount to an escrow account.

#### **Deposits**

The Sheriff's bank deposits were adequately insured or collateralized with bank pledges of securities as of August 26, 1999.



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Edward B. Hatchett, Jr.  
Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Joseph A. Grieshop, Harlan County Judge/Executive

Honorable Steve Duff, Harlan County Sheriff

Members of the Harlan County Fiscal Court

Independent Auditor's Report

We have audited the Harlan County Sheriff's Settlement - 1998 Taxes as of August 26, 1999, and the Sheriff's Settlement - 1998 Unmined Coal Taxes as of August 26, 1999. These tax settlements are the responsibility of the Harlan County Sheriff. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Sheriff prepares his financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the Harlan County Sheriff's taxes charged, credited, and paid as of August 26, 1999, in conformity with the basis of accounting described in the preceding paragraph.

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
John P. McCarty, Secretary  
Finance and Administration Cabinet  
Mike Haydon, Secretary, Revenue Cabinet  
Honorable Joseph A. Grieshop, Harlan County Judge/Executive  
Honorable Steve Duff, Harlan County Sheriff  
Members of the Harlan County Fiscal Court

In accordance with Government Auditing Standards, we have also issued a report dated April 4, 2000, on our consideration of the Sheriff's compliance with certain laws and regulations and internal control.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
April 4, 2000



HARLAN COUNTY  
STEVE DUFF, SHERIFF  
SHERIFF'S SETTLEMENT - 1998 TAXES

August 26, 1999

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 847,352	\$ 445,250	\$ 1,493,689	\$ 702,302
Tangible Personal Property	241,613	120,548	302,076	347,965
Intangible Personal Property				63,173
Oil, Gas, and Limestone	396	209	846	331
Franchise Corporation	167,691	84,452	215,918	
Bank Franchise	46,609			
Omitted Taxes	121	94	100	181
Increased Through Erroneous Assessments	216	114	431	182
Supplemental Bills	848	450	1,271	709
Penalties	12,921	6,801	22,300	11,424
Adjusted to Sheriff's Receipt	(167)	(42)	15	4
Gross Chargeable to Sheriff	<u>\$ 1,317,600</u>	<u>\$ 657,876</u>	<u>\$ 2,036,646</u>	<u>\$ 1,126,271</u>
<u>Credits</u>				
Discounts	\$ 15,803	\$ 7,686	\$ 23,794	\$ 16,240
Exonerations	5,477	2,899	10,955	4,494
Delinquents:				
Real Estate	61,995	32,753	115,651	51,662
Tangible Personal Property	2,180	1,088	2,210	2,645
Intangible Personal Property				539
Uncollected Franchise Corporation	945	479	582	
Bankruptcy Credit				6
Total Credits	<u>\$ 86,400</u>	<u>\$ 44,905</u>	<u>\$ 153,192</u>	<u>\$ 75,586</u>
Net Tax Yield	\$ 1,231,200	\$ 612,971	\$ 1,883,454	\$ 1,050,685
Less: Commissions *	<u>52,614</u>	<u>26,051</u>	<u>75,338</u>	<u>44,942</u>
Net Taxes Due	\$ 1,178,586	\$ 586,920	\$ 1,808,116	\$ 1,005,743
Taxes Paid	1,178,438	586,842	1,807,972	1,004,455
Refunds (Current and Prior Year)				<u>1,134</u>
Due Districts as of Completion of Fieldwork	<u>\$ 148</u>	<u>\$ 78</u>	<u>\$ 144</u>	<u>\$ 154</u>

\* and \*\* See Page 5

HARLAN COUNTY  
STEVE DUFF, SHERIFF  
SHERIFF'S SETTLEMENT - 1998 TAXES  
August 26, 1999  
(Continued)

\* Commissions:

10% on	\$	10,000
4.25% on	\$	2,884,856
4% on	\$	1,883,454

\*\* Special Taxing Districts:

Library District	\$	33
Health District		38
Extension District		32
Soil District		<u>(25)</u>
Due Districts or (Refunds Due Sheriff)	\$	<u><u>78</u></u>

The accompanying notes are an integral part of the financial statements.

HARLAN COUNTY  
STEVE DUFF, SHERIFF  
SHERIFF'S SETTLEMENT - 1998 UNMINED COAL TAXES

August 26, 1999

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Sheriff's Official Receipt for				
Unmined Coal	\$ 39,865	\$ 21,131	\$ 85,176	\$ 33,330
Omitted Taxes	72,620	34,974	161,848	75,927
Supplemental Taxes	73,013	39,002	162,683	76,724
Additional Taxes	2,235	1,201	4,928	2,349
Penalties	31,968	15,708	70,686	33,814
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Gross Chargeable to Sheriff	\$ 219,701	\$ 112,016	\$ 485,321	\$ 222,144
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<u>Credits</u>				
Discounts	\$ 681	\$ 361	\$ 1,226	\$ 569
Exonerations	574	304	1,455	480
Delinquents	1,543	818	3,296	1,290
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Credits	\$ 2,798	\$ 1,483	\$ 5,977	\$ 2,339
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Net Tax Yield	\$ 216,903	\$ 110,533	\$ 479,344	\$ 219,805
Less: Commissions *	9,218	4,697	19,174	9,342
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Net Taxes Due	\$ 207,685	\$ 105,836	\$ 460,170	\$ 210,463
Taxes Paid	207,685	105,836	460,170	210,463
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Due District as of Completion of Fieldwork	\$ 0	\$ 0	\$ 0	\$ 0
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

\* Commissions:

    4.25% on \$ 547,241

    4% on \$ 479,344

The accompanying notes are an integral part of the financial statements

HARLAN COUNTY  
NOTES TO THE FINANCIAL STATEMENTS

August 26, 1999

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of August 26, 1999, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral held by the Sheriff's agent in the Sheriff's name.

HARLAN COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
August 26, 1999  
(Continued)

Note 3. Property Taxes

The real and personal property tax assessments were levied as of January 1, 1998. Property taxes were billed to finance governmental services for the year ended June 30, 1999. Liens are effective when the tax bills become delinquent. The collection period for these assessments was December 18, 1998 through August 26, 1999.

Unmined Coal Taxes

The tangible property tax assessments were levied as of January 1, 1998. Property taxes are billed to finance governmental services. Liens are effective when the tax bills become delinquent. The collection period for these assessments was January 26, 1999 through August 26, 1999.

Note 4. Interest Income

The Harlan County Sheriff earned \$10,505 as interest income on 1998 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder was used to operate the Sheriff's office.

Note 5. Unexplained Receipts Should Be Escrowed

The Sheriff should deposit any unexplained receipts in an interest-bearing account. According to KRS 393.110, the Sheriff should properly report annually to the Treasury Department any unclaimed moneys. After seven years, if the funds have not been claimed, the funds should be submitted to the Kentucky State Treasurer. For 1998 taxes, the Sheriff had \$741 in unexplained receipts. Therefore, the Sheriff should send a written report to the Treasury Department.

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REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS







Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Honorable Joseph A. Grieshop, Harlan County Judge/Executive  
Honorable Steve Duff, Harlan County Sheriff  
Members of the Harlan County Fiscal Court

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the Harlan County Sheriff's Settlement - 1998 Taxes as of August 26, 1999, and Sheriff's Settlement - 1998 Unmined Coal Taxes as of August 26, 1999, and have issued our report thereon dated April 4, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Harlan County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness.

Honorable Joseph A. Grieshop, Harlan County Judge/Executive  
Honorable Steve Duff, Harlan County Sheriff  
Members of the Harlan County Fiscal Court  
Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended for the information of management. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
April 4, 2000

